

Message Text

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PAGE 01 STATE 223569

41

ORIGIN ABF-01

INFO OCT-01 ISO-00 EA-07 A-01 FS-01 RSC-01 /012 R

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P 101653Z OCT 74

FM SECSTATE WASHDC

TO AMEMBASSY RANGOON PRIORITY

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STADIS////////////////////////////////////

E.O. 11652:N/A

TAGS: ABUD, AFIN, BM

SUBJECT:ACCOMMODATION RATE FOR KYAT

REF: RANGOON 2434, 2854

1. SINCE 1968, WHEN EMBASSY REQUESTED THAT ACCOMMODATION RATE BE BASED ON FREE MARKET IN BANGKOK RATHER THAN HONG KONG, TREASURY DEPARTMENT HAS MAINTAINED THAT APPROVAL OF ANY NEW SPECIAL EXCHANGE RATES MUST BE BASED ON RATES EXISTING IN THE COUNTRY AND NOT ON EXTERNAL FREE MARKETS. DEPARTMENT HAS NEVER ACCEPTED LOCAL EXCHANGE RATES EXISTING IN THE COUNTRY AS THE ONLY BASIS FOR SETTING PREFERENTIAL RATES FOR ACCOMMODATION EXCHANGE. TREASURY POSITION PRE-DOMINATES SINCE THEY HAVE ULTIMATE AUTHORITY IN THIS MATTER.

2. TREASURY DEPARTMENT INITIAL REACTION TO EMBASSY 2434 HAS BEEN NEGATIVE AND IN FACT, THEY ARE TAKING THE ATTITUDE THAT ADEQUATE BALANCE OF PAYMENTS JUSTIFICATION IS NEEDED EVEN TO CONTINUE THE PRESENT ACCOMMODATION RATE. WE HOPE
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PAGE 02 STATE 223569

TO DISSUADE THEM FROM REQUESTING THIS. FROM THE FORE-

GOING, IT WOULD APPEAR THAT EMBASSY REQUEST FOR A BETTER RATE IS FAR MORE LIKELY TO REDUCE ACCOMMODATION TO OFFICIAL RATE THAN TO PROVIDE IMPROVEMENT. WE BELIEVE THE EMBASSY MIGHT BE WELL ADVISED, WITHOUT REFERENCE TO THIS

MESSAGE, TO SEND A DISREGARD MESSAGE ON ITS REQUEST FOR AN "AVERAGE" PREFERENTIAL RATE. AFTER SUCH MESSAGE, WE SUGGEST THAT ANY FUTURE COMMUNICATION ON THIS SUBJECT BE DIRECTED TO THE DEPARTMENT ALONE. AFTER DEPARTMENTAL CONCURRENCE, THE DEPARTMENT WILL REQUEST TREASURY CONSIDERATION. INGERSOLL

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